

Selling Food in Vending Machines

This tax fact is designed to help you properly apply and pay sales tax for food sales you make through vending machines.

Vending machine operators generally need seller's permits

You generally need a seller's permit if you make sales through a vending machine. You need only one permit, regardless of how many machines you operate (the operator of the vending machine is the person who stocks the machine and collects money from it).

There are some exceptions. If you sell food through a vending machine for a price of 15 cents or less per item, you do not need a seller's permit. And certain groups do not need a seller's permit because their vending machines sales are not taxable. For example, parent-teacher associations or equivalent school- or library-support groups do not need a seller's permit for vending machine sales (see our publication 18, *Tax Tips for Nonprofit Organizations*).

Seller's permit applications are available from our website (www.boe.ca.gov) or our Information Center. If you're not sure whether you need a permit, please call the Information Center for help.

Applying tax to vending machine food sales

Tax generally applies to the sale of food in vending machines. However, some vending machine food sales are only partially taxable.

Partially taxable food sales. In a store, the sale of cold food items and individual hot drinks to go is generally exempt from sales tax. For example, tax does not apply when a grocery store sells candy, chips, fruit juice, and cups of hot coffee to go. However, the sale of those same items through a vending machine is partially taxable. Tax applies to 33 percent of your gross receipts from vending machine sales of cold food products (including noncarbonated water) and hot drinks (see *Exceptions*, below).

Exceptions: Tax does not apply to (1) bulk sales of candy and other food items in a coin-operated vending machine for 25 cents or less, and (2) sales of purified drinking water dispensed into a customer's container when the water enters the vending machine through local supply lines.

Fully taxable food sales. Vending machine sales of all carbonated beverages and hot food products (other than hot beverages) are fully taxable, just as they would be in a store or at a restaurant.

Please note: Be sure to keep separate records of your partially taxable and fully taxable sales. If you sell products other than food in vending machines, those sales are generally taxable.

Sales and Use TAX FACTS

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For additional information
you may wish to order
Regulation 1574, *Vending
Machine Operators*,
or talk to a Board of
Equalization representative.
For assistance, please call
800-400-7115
TDD/TTY 800-735-2929.
Internet: www.boe.ca.gov

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Properly reporting tax on your sales

We presume that the sales price of items you sell in a vending machine includes an amount for sales tax. When you complete your sales and use tax return, you must deduct that tax from your gross sales. Otherwise you will pay too much sales tax with your return.

Calculating the tax you owe; taxable sales factors

Use the *sales tax factors* below to deduct the tax amounts included in your sales and to determine your taxable gross receipts. Factors are shown for 100 percent taxable sales and 33 percent taxable food sales. Be sure to use the factor for the rate in effect at the vending machines' location. For tax rates, see our publication 71, *California City, County, and District Tax Rates* or our website.

Tax rate	Factor for tax calculation		Tax rate	Factor for tax calculation	
	100% taxable	33% taxable		100% taxable	33% taxable
7.000 %	93.4579	32.2549	7.875 %	92.6999	32.1641
7.250	93.2401	32.2289	8.000	92.5926	32.1512
7.375	93.1315	32.2159	8.125	92.4428	32.1331
7.500	93.0233	32.2030	8.250	92.3788	32.1254
7.625	92.9152	32.1900	8.500	92.1659	32.0996
7.750	92.8074	32.1771	8.750	91.9540	32.0738

Taxable gross receipts worksheet—sample calculation

The worksheet below shows how to properly calculate the taxable gross receipts from vending machine sales and which figures to carry to your sales and use tax return. The example shows \$25,000 in total taxable sales: \$15,000 in 100% taxable sales and \$10,000 in 33% taxable sales. This example uses a tax rate of 7.25%, but you must use the rate in effect where your machines are located. If you have vending machines in locations with different tax rates, you will need to complete separate worksheets for each rate and combine totals to prepare your return.

<i>Example</i>	A. 100% taxable sales	B. 33% taxable sales	Total of A +B <i>round & carry to return line indicated</i>
1. Gross sales including tax	15,000.00	10,000.00	25,000 <i>to return line 1</i>
2. Taxable sales factor (see above)	X 93.2401%	X 32.2289%	
3. Taxable receipts without tax (gross sales x taxable sales factor)	13,986.02	3,222.89	
4. Tax rate (use rate where machines are located)	X 7.25%	X 7.25%	
5. Tax included in sales (line 3 taxable receipts X line 4 tax rate)	1,013.99	233.66	1,247.65 <i>to return line 9</i>
6. Tax-exempt food sales (column B only: line 1 – line 3 – line 5)	n/a	6,543.45 (10,000 – 3,222.89 – 233.66)	6,543.45 <i>to return line 5</i>

Note: The statements in this fact sheet are general and are current as of February 2004. The sales and use tax law and regulations are complex and subject to change. If there is a conflict between this publication and the law or regulations, decisions will be based on the law and regulations.